



Investment Office

P.O. Box 2749

Sacramento, CA 94229-2749

Telecommunications Device for the Deaf - (916) 795-3240

(916) 795-3400

FAX (916) 795-3248

October 17, 2005

AGENDA ITEM 9

TO: MEMBERS OF THE INVESTMENT COMMITTEE

I. SUBJECT: Policy Subcommittee Report

II. PROGRAM: Total Fund

III. RECOMMENDATION: CONSENT:

- a. Equity Policies
 - 1) Revision of Corporate Governance Fund Investment Vehicles - Externally Managed
- b. Fixed Income Policies
 - 1) Revision of Active International Fixed Income – Externally Managed
 - 2) Revision of Dollar Denominated Fixed Income Program
- c. Real Estate Policies
 - 1) Revision of Extended Market Public Real Estate Equity Securities (Extended Market PREES)
 - 2) Revision of Equity Real Estate
 - 3) Revision of International Equity Real Estate
- d. Administrative
 - 1) Revision of "Watchlist Status" Definition in Glossary
 - 2) Revision of Term "Shareholder" to "Shareowner" in all Investment Policies
 - 3) Proposed December 2005 Agenda
 - 4) Meeting Schedule - 2006

IV. ANALYSIS:

The Policy Subcommittee, at its September 16, 2005 meeting, recommended these revised policies for approval to the Investment Committee. Attached are the clean and black-lined versions from the last adopted policy by the Investment Committee. The black-line uses strike-out to indicate deletions and double-underline to indicate additions. Single underline does not indicate a change; rather, it indicates that the term is defined in the glossary.

- **Item 9a – Equity Policies**

- 1) Revision of Corporate Governance Fund Investment Vehicles – Externally Managed

This revision implements the Investment Committee's August 15, 2005 approval of staff's delegation of authority to invest up to \$200 million for individual investments in new Corporate Governance Active Strategies.

- **Item 9b – Fixed Income Policies**

- 1) Revision of Active International Fixed Income – Externally Managed
- 2) Revision of dollar denominated Fixed Income Program

The revisions to these two policies reflect changes necessary to effectuate the Foreign Debt Policy approved by the Investment Committee at its June 13, 2005 meeting.

- **Item 9c – Real Estate Policies**

- 1) Revision of Extended Market Public Real Estate Equity Securities (Extended Market PREES)
- 2) Revision of Equity Real Estate
- 3) Revision of International Equity Real Estate

The revisions to these three policies address the allocation ranges and limitations for international investing. Attached is a table (Attachment A) that depicts the international allocation ranges and limitations set forth in the proposed policies. This table is not part of the actual policy, but rather is a reference tool for the reader's use in reviewing the policies.

- **Item 9d – Administrative**

- 1) Revision of "Watchlist Status" Definition in Glossary

This revision to the Glossary definition of "watchlist" provides flexibility so that the individual policies may set the criteria and oversight thresholds for individual portfolio watchlists.

2) Revision of Term "Shareholder" to "Shareowner" in all Investment Policies

This action would replace, through Investment policies, the word "shareholder" with the word "shareowner." The term shareowner reflects that CalPERS is an active owner and not simply a passive holder of its investments.

3) Proposed December 2005 Agenda

This is the proposed December 2005 Policy Subcommittee agenda.

4) Meeting Schedule – 2006

The Policy Subcommittee approved changing the meeting schedule from quarterly to every other month. This would allow the Subcommittee to spend more time on individual policy issues, and would also enable policy items to move through the process more quickly.

V. STRATEGIC PLAN:

This item supports Goal VIII: Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits and second, to minimize and stabilize contributions.

VI. RESULTS/COSTS:

The results of this item will provide the System with enhanced efficiencies and ability to manage the overall portfolio.

Greg Hood
Division Chief

Anne Stausboll
Assistant Executive Officer